

# 2012

## Government Transformation Office (GTO) Annual Report



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## **TABLE OF CONTENTS**

<b>Table of Contents .....</b>	<b>1</b>
<b>Executive Summary .....</b>	<b>2</b>
<b>2012 Activities .....</b>	<b>3</b>
Figure 1: 2012 Activities Time Line .....	3
Benchmarking with Other States.....	3
Relationship Building with State Agencies .....	4
Build Corporate Partnerships .....	5
Launch Training & Provide Consulting Support.....	6
<b>Government Transformation Committee .....</b>	<b>7</b>
<b>Benefits to the State .....</b>	<b>7</b>
<b>GTO Resources .....</b>	<b>9</b>
<b>Summary .....</b>	<b>9</b>

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## **Executive Summary**

The Government Transformation Office (GTO) was established via Executive Order by Governor Brewer on August 16<sup>th</sup>, 2012. Housed within the Arizona Department of Administration, the Government Transformation Office will improve government processes by identifying best practices that eliminate inefficiencies and redundancies and increase the quality of services provided to Arizona taxpayers. Agencies will achieve these benefits through the implementation of lean principles.

The benefits of lean principles and methods are recognized in virtually every industry. Although these principles grew out of the need for more efficient manufacturing practices, their applicability to service and administrative functions are well established. All processes contain inefficiency, and lean brings a structured approach to identifying and eliminating non value-added process steps. In the past decade, increasing numbers of federal, state, and local governments have made the commitment to integrate lean methods into their overall continuous improvement strategy.

The primary benefit to our agencies of implementing lean principles and methods is increased capacity. With the reduction of non-value added activities, individual resources will have more capacity to engage in activities that align with the agency's core mission. Lean goes beyond simple cost reduction to emphasize the delivery of greater value to taxpayers for their invested tax dollars.

Specifically, the Government Transformation Office will assist agencies in:

- Identifying and implementing process improvements
- Training our teams in management strategies that eliminate waste and enhance innovation within the workforce
- Developing consistent toolkits, resources and other materials for agency use
- Communicating process improvements to the public

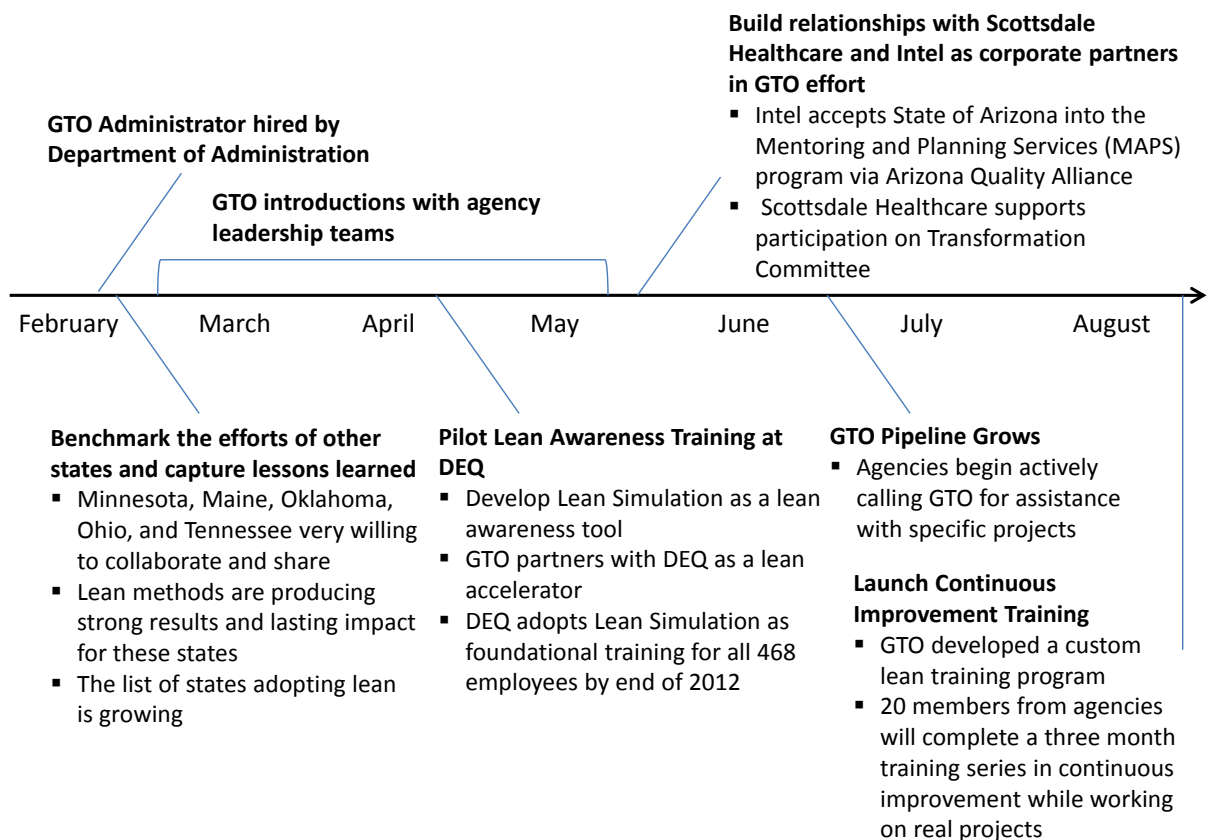
In conjunction with the establishment of the Government Transformation Office, Governor Brewer has created a Government Transformation Committee to guide and oversee the Office's operations and conduct regular performance reviews of State agencies. The Committee will consist of the Arizona State Treasurer, a Director or designee of six major agencies and two representatives from the private sector.

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## 2012 Activities

Although the Government Transformation Office was formally established via Executive Order by Governor Brewer on August 16<sup>th</sup>, 2012, GTO's Administrator was hired by the Department of Administration in late February 2012. Since that time, GTO's launch activities have centered on outreach with agencies, benchmarking similar efforts in other states, and developing training materials that are well-suited to translate lean principles into a government service environment.

**Figure 1: 2012 Activities Time Line**



### Benchmarking with Other States

Several states have already proven that lean methods and formal continuous improvement programs add significant value. Minnesota, Ohio, and Maine have launched continuous improvement programs aimed at creating a consistent approach to improving the delivery of government service. These are some of the lessons these states communicated:

**Champion Training:** Agency leaders need to understand how continuous improvement can improve the value their organization provides to taxpayers and end users of their processes. Lack of leadership involvement will cause improvement efforts to take longer than they should or will prevent selection of the right projects to work on.

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**Work on Important Processes:** It is critical to improve processes that relate to the core mission of the agency. As the continuous improvement programs matured with these states, they realized the importance of working on the right projects. Improving these processes will get noticed by “end users” and will generate enthusiasm and momentum for continuous improvement.

**Lean Methods Work:** Although there are a myriad of continuous improvement methods that have developed over the past decades, the “lean” toolset is well-equipped to help government organizations improve performance. At the heart of lean are at least two critical ideas: 1) customers define value for every process, and 2) those who do the work must participate in making improvements. Some states exclusively pursue the lean toolset while others take a broader approach with lean six sigma methods – but every state that shared their experience and discussed the positive impact that lean methods had towards improving performance.

**Corporate Partnerships are Critical:** Lean methods have been a critical part of manufacturing and service industries for decades. Ohio and Minnesota described the beneficial impact that corporate partners had on the efforts to become lean. While the corporations contributed expertise in skills and improvement methods, government services provided an outstanding learning experience in the application of lean to administrative environments. Both sides benefitted from the partnership.

The role of the Government Transformation Office should not be reduced to a training organization, but some level of training is required to create a consistent, repeatable approach to improving government services. GTO’s goal is to empower the employees in our agencies to improve the processes they touch on a daily basis.

### **Relationship Building with State Agencies**

Previous administrations have launched centralized programs aimed at improving efficiency. The Office of Excellence, Efficiency Reviews, and Project SLIM are all remembered by agencies as prior efforts to drive change in government. Not all of the associations state employees have with these programs are positive. If employees believe they are working themselves out of a job, the continuous improvement effort becomes futile. Lean principles are not a substitute for leadership, and the leadership of state agencies has a responsibility to create an environment where continuous improvement thrives with those who do the work.

There are several state agencies that have previously been recognized for their achievements in operational excellence. The Department of Revenue, Arizona Game and Fish, Arizona Department of Transportation, and Arizona Correctional Industries have all won awards through the Arizona Quality Alliance in the past ten years. This speaks to the fact that we already have team members in state government with experience in improving processes. To build on past successes, the Government Transformation Office will seek to leverage existing best practices across agency boundaries.

GTO will be a value-added partner to provide training, coaching, and execution support. The Government Transformation Office has met directly with agency leaders to frame continuous improvement in lean terms: every process has at least one end user, and the value of any process must

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be framed in relation to the outcomes that affect the end users. All activities within a process that fail to add-value for our end users must be examined with an eye for improvement.

As a result of relationship building, agencies are actively reaching out to GTO to seek assistance with specific improvement opportunities. The Government Transformation Office understands that our customers are the state agencies that directly serve the public. The following agencies are already working on active projects with GTO or have expressed a request for GTO assistance:

- Arizona Department of Environmental Quality
- Department of Health Services
- Arizona State Land Department
- Department of Revenue
- Department of Economic Security
- Department of Gaming
- Department of Emergency and Military Affairs
- Department of Public Safety
- Department of Corrections
- Arizona Correctional Industries
- Department of Administration

In the year ahead, GTO looks forward to serving all of these agencies and helping them achieve measurable progress.

### **Build Corporate Partnerships**

Feedback from other states pursuing lean highlighted the significance of building partnerships with corporations. Although “lean” may sound like a management fad to many in government, it has been an indispensable perspective in the private sector for decades. We would be hard-pressed to find a manufacturing company or health-care provider that doesn’t have a formal continuous improvement program that includes lean methods. In the past ten years, these methods have made their way from the manufacturing world to the service sector. Now lean methods are gaining momentum in their application in government.

Intel Corporation has formally expressed support for the Government Transformation Office’s efforts through the Mentoring and Planning Services (MAPS) program administered through the Arizona Quality Alliance. Intel has process improvement experts throughout its organization and will be able to provide expert mentoring to supplement the capacity of the Government Transformation Office. In addition, an Intel executive has committed to participate on the Government Transformation Committee.

Scottsdale Healthcare has a formal lean program that it applies across its enterprise. Their Director of Lean / Process Improvement will provide lean expertise and support for the GTO through participation on the Government Transformation Committee.

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## Launch Training & Provide Consulting Support

The Government Transformation Office has already developed internal training materials aimed at creating awareness for continuous improvement activities and development of practitioners.

**Lean Awareness Training:** a three hour introductory exercise aimed at giving participants a hands-on experience with process improvement through application of lean principles to a generic transactional process. Once our team members understand the basic principles, they begin to see their work through the lens of their customers.

- GTO established a “train the trainer” approach to deploying the Lean Simulation at DEQ. To date, over 200 team members at DEQ have been through the Lean Simulation.
- Lean Simulation has also been used with the management team at Department of Health Services as an introduction to continuous improvement concepts.
- GTO will continue to use the Lean Simulation as an introductory exercise for groups with no prior exposure to lean.

**Foundations in Continuous Improvement:** A foundation-level training program developed specifically to meet the needs of continuous improvement practitioners in a government setting. This course leverages a blended learning model with 12 hours of classroom time spread over three months, over 30 hours of onsite project mentorship, and guidance for self-study. This course integrates concepts from lean, six sigma, and capacity management.

- 20 resources from three agencies are currently participating in the first Foundations in Continuous Improvement training series.
- All class participants must be actively engaged on a project during the length of the class.
- The class is divided into 5 teams that are each responsible for applying the training to projects in their own agency (with GTO onsite support).
- GTO will offer at least three sessions of this course in 2013.

**Consulting Services:** GTO will offer direct consulting support for agency projects that have high impact and immediate need. The emphases of these services are expedited implementation with less knowledge transfer. GTO offers the following consulting services:

- Value Stream Mapping: Identify opportunities to reduce lead time and improve flow. Value Stream Mapping emphasizes an end-to-end understanding of a process to see our activities from the perspective of our customers.
- Kaizen / Rapid Improvement Event Facilitation: Team-based problem solving events structured to develop solutions and implementation plans in a compressed timeframe.
- Advanced Problem Solving: Utilize structured problem solving methods to identify the root cause and identify solutions for problems where data analysis is required.

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## **Government Transformation Committee**

The Government Transformation Committee will convene for the first meeting in the Fall of 2012. The Committee will play a crucial role in providing guidance and oversight to the Government Transformation Office.

Through an established meeting format, the Committee shall:

- Review the continuous improvement efforts across the state agencies to ensure alignment with the strategic priorities of the state
- Review the deployment and sustainment model for continuous improvement to ensure that it balances implementation with the other strategic priorities within state agencies
- Deliver recognition to agencies and individuals that implement improvements to state processes

The Committee shall hold regular meetings to review the performance of agencies. As part of the review process, agencies will be required to:

- Develop clear, relevant, and easy-to-understand measures that demonstrate whether or not continuous improvement efforts are successful
- Demonstrate how programs contribute to the priorities of the Executive Branch and of the citizens being served
- Communicate best practices along with project methodologies and results that can be shared across agencies

The Committee will consist of the following individuals (or designee):

- Director of the Department of Administration (Chairman)
- Director of the Department of Economic Security
- Director of the Department of Transportation
- Director of the Department of Environmental Quality
- Director of the Department of Land
- Director of the Office of Strategic Planning and Budgeting
- Two Representatives from the Private Sector

The following member shall serve as an ex officio member of the Committee:

- Arizona State Treasurer

## **Benefits to the State**

The Government Transformation Office has already launched training and project support with several agencies. These efforts are currently active and agencies are not in a position to communicate financial or service gains until the implementation cycle is completed. Next year's annual report will include a detailed analysis, summary and conclusion for each of these projects for FY 13.



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Although service or cost benefits are difficult to report due to projects that are currently active, the Arizona Department of Environmental Quality summarized their working relationship with GTO as follows:

- Facilitated the Value Stream Mapping that will result in the first closure of a Water Quality Assurance Fund site (December 2012)
- Deployed the Lean Awareness Training at ADEQ where 235 staff have already been trained with a schedule to train all staff (468) by the end of October 2012
- Served as a leadership coach during implementation of the Aquifer Protection Permit process improvements and Title V permit process improvements
- Trained 6 ADEQ staff on Value Stream Mapping, a fundamental process transformation tool

*“Rob Woods has greatly accelerated our transformation at ADEQ. Our progress thus far is largely due to his broad expertise, outstanding customer service, and commitment to government transformation.”* – ADEQ Director Darwin

### Performance Measures

The Government Transformation Office will create a consistent set of measures that the State can use to measure progress. GTO proposes the following set of activity and impact measures:

**Activity Metrics:** The following metrics will report the volume of activity related to continuous improvement occurring across state agencies:

- # of state agencies with active lean efforts reporting results
- # of lean solutions implemented per agency
- # of employees completing lean awareness training
- # of employees completing lean practitioner training

**Impact to Service, Cost, and Quality:** Each process selected for improvement will report benefits in at least one of the categories of service, cost, or quality:

- Service Improvement: customer wait time/process lead time eliminated
- Non Value-added steps removed from government services
- Cost Improvement: dollars saved/cost avoided through implemented solutions
- Quality Improvement: Reduced errors or rework

### 2013 Goals

In addition to these performance measures, GTO has established the following performance targets for 2013:

- Train 60 Continuous Improvement Practitioners in our state agencies
- Implement solutions through 20 engagements directly supported by the Government Transformation Office
- Establish an online presence to communicate the results of improvement efforts by state agencies
- GTO supported projects will deliver returns in one or more of the following areas:
  - Average reduction of 30% to customer wait time or process lead time
  - Average dollars saved or cost avoidance of greater than \$75,000 per engagement
  - Average error reduction of 30%

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## **GTO Resources**

The Government Transformation Office will itself be a lean operation. GTO is currently comprised of two staffers, the GTO Administrator and the Deputy Administrator, housed within the Department of Administration. GTO will maximize the impact of its resources by primarily focusing on coaching and mentoring resources in state agencies to become self-sufficient continuous improvement practitioners.

The goal of the Government Transformation Office is to empower state agencies with the knowledge and skills needed to make performance improvement a continuous part of operations while embedding lean practices into the culture of state government.

GTO will work with the Government Transformation Committee to formalize a prioritization method that aligns GTO's resources in support of the highest priority opportunities for the state. Agencies will identify improvement opportunities that directly impact outcomes related to their core mission. For example, reducing the lead time on issuing permits can positively impact the ability of businesses to operate in Arizona. These types of improvements will directly support the Governor's reform agenda to improve the economic competitiveness of our state and the quality of services we offer to our citizens.

## **Summary**

Integrating lean principles into the way we conduct operations is a multi-year effort. There is a growing community of State governments that are contributing lessons-learned with regards to successfully deploying lean in a government setting. Deployment efforts move through a lifecycle with unique challenges in each phase. The launch phase directly demonstrates that dramatic results are possible with a structured approach to continuous improvement. We then manage the effort to build momentum and build capacity with internal change agents. Finally, and almost anti-climatically, lean principles simply become the way we work.

The fact that an Executive Order was issued to establish the Government Transformation Office demonstrates a tremendous commitment on the part of our State leadership to support continuous improvement. It is equally important to note that many of our agencies don't need to be convinced that "lean thinking" will benefit their customers and their employees. Agency leaders are actively requesting assistance from GTO and want to receive training in continuous improvement. This is an ideal environment for making positive changes to government. GTO looks forward to reporting the results of implementation in the year ahead.